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Aditya Pugalia
Director, Financial Markets Research
+971 4 609 3027
adityap@emiratesnbd.com

www.emiratesnbdresearch.com

Equity Weekly

Global Equities

It was largely a positive week for global equities as none of the key events threw a negative surprise. In fact, the Federal Reserve meeting was a positive catalyst while the UK Parliament vote on Brexit and the China-US trade talks turned out to be non-events for lack of development. The strength in commodities and relatively strong corporate earnings helped investor sentiment further. Overall, the MSCI All Country index added +1.4% 5d with all major sub-indices closing in positive territory. Volatility eased further with VIX index and the V2X index (Europe) dropping -7.4% 5d and -5.4% 5d respectively.

This week will see release of first-tier economic data which becomes important given the decisive shift of policymakers towards data dependency. Additionally, the focus will also remain on the US President Donald Trump's State of the Union speech and corporate earnings.

Chart of the week

At a time when the Federal Reserve has turned dovish and toned down their description of the US economy, the latest jobs data did question that hypothesis. However, if one looks at the Bloomberg US Economic Surprise index then we find that it still remains in negative territory. A further breakdown of the index shows that only labour market and personal & household sectors are in positive surprise category.

Chart of the week – Bloomberg US Economic Surprise index remains in negative territory



Source: Bloomberg

MENA Markets

It was largely a positive day of trading for regional equities amid a rebound in underperforming stocks and mixed corporate earnings. The sustained strength in oil prices also helped investor sentiment. The S&P Pan Arab Composite index added +0.6% 5d.

UAE bourses closed in positive territory with the DFM index rallying +2.1% 5d and the ADX index gaining +0.5% 5d. Gains on the DFM index this past week helped the broader DFM index move into positive territory for the year. The rally was helped by strength in Emaar Properties (+4.9% 5d), Emaar Development (+6.7% 5d) and Aldar Properties (+3.9% 5d).

Among other developments, Abu Dhabi Commercial Bank, Union National Bank and Al Hilal Bank agreed to merge. The combined entity will potentially be the Gulf's fifth largest lender with about USD 114bn in assets. ADCB has offered 0.5966 share for every UNB share and the combined entity will buy Al Hilal Bank for about AED 1bn. The deal is expected to close in the first half of 2019 with ADCB Chairman Eissa Mohamed Al Suwaidi and ADCB CEO Alaa Eraiqat becoming the Chairman designate and CEO designate respectively of the combined entity. The new banking group will carry the ADCB identity. ADCB and UNB closed the week with gains of +2.2% 5d and +1.8% 5d respectively.

The Tadawul added +1.5% 5d. Saudi Electricity was one of the outperformer with gains of +10.4% 5d following comments from the Saudi economy minister that the privatization of power generation companies under Saudi Electricity is at a very advanced stage.

Elsewhere, Egyptian equities had their best week since the middle of December 2018. The EGX 30 index gained +4.6% 5d following increased speculation of a rate cut by the central bank when they meet later this month. Real estate stocks were the main drivers behind the rally with the EGX 30 Real Estate index adding +9.0% 5d.

Developed Markets

Developed market closed higher as the Federal Reserve turned decidedly dovish. The central bank repeated that it would be 'patient' and cut its reference to 'further gradual increases' from the statement. Economic data from the US especially on the jobs front came in stronger than expected with non-farm payrolls showing addition of 304,000 jobs in January 2019. European equities, however, underperformed broader equities following weak economic data releases and weaker corporate earnings from banking sector stocks. Overall, the S&P 500 index, the Euro Stoxx 600 index and Nikkei index ended the week with gains of +1.6% 5d, +0.5% 5d and +0.1% 5d respectively.

The earnings season in the US gathered strength last week. With 46% of companies in the S&P 500 index having reported earnings, 70% of companies have reported a positive EPS surprise and 62% have reported a positive revenue surprise. According to FactSet, the blended earnings growth is 12.4% compared to estimates of 12.2% at the end of 2018.

Emerging Markets

Emerging market equities continued their positive run. The MSCI EM index (+1.7% 5d) closed in positive territory for a sixth consecutive week on the back of dovish Federal Reserve and weaker USD.

Indian equities ended the week higher after the government unveiled an interim budget for FY 2020 which is expected to boost consumption. The Nifty index added +1.1% as the budget proposals contained populist measures for every section of the society at the cost of the government breaching its fiscal deficit target for a second consecutive year.

Market Data

MENA Equity Indices

Index	Last Price	wtd % chg	T.Value 5d avg (USDmn)	BEst P/E	BEst P/B	Div Yield	% above 200d MA
DFM	2,568	2.1%	44.2	6.2	0.8	5.5	21.62
ADX	5,045	0.5%	58.5	12.2	1.6	4.7	33.90
Tadawul	8,560	1.5%	960.7	15.1	1.8	3.3	44.26
ISE 100	102,937	2.2%	1,644.8	7.2	1.0	4.1	50.51
EGX 30	14,127	4.6%	56.7	9.5	1.9	2.1	33.33
Kuwait Premier	5,430	-1.1%	74.4	10.5	1.1	3.5	68.75
Bahrain	1,391	1.3%	4.5	-	-	5.8	44.44
MSM	4,166	-0.3%	3.5	6.4	0.6	6.2	16.67
Qatar Exchange	10,720	0.1%	66.8	13.6	1.7	4.1	70.00
MADEX	9,225	0.4%	12.0	16.4	2.3	3.9	31.25
TUSISE	7,234	0.6%	1.2	19.4	5.2	2.0	35.00

Developed Market Indices

Dow Jones	25,064	1.3%	10,555.5	15.2	3.6	2.5	60.00
S&P 500	2,707	1.6%	50,101.8	16.1	3.0	2.1	47.70
Nasdaq	7,264	1.4%	33,672.9	20.5	4.0	1.3	29.81
FTSE 100	7,020	3.1%	5,312.8	12.4	1.6	4.9	40.59
Dax	11,181	-0.9%	4,325.5	12.0	1.4	3.7	34.48
Cac 40	5,019	1.9%	3,741.6	12.7	1.4	3.8	32.50
Swiss	8,996	0.8%	3,015.2	14.6	2.2	3.7	40.00
Nikkei	20,788	0.1%	12,090.5	15.1	1.6	2.2	18.22
Australia	5,863	-0.7%	4,294.8	15.2	1.9	5.0	42.35
Stoxx 600	360	0.5%	28,393.8	13.2	1.6	4.1	36.87

Emerging Market Indices

Hong Kong	27,931	1.3%	4,472.2	10.7	1.2	3.6	66.00
Shanghai	2,618	0.6%	17,247.8	9.9	1.2	2.6	18.09
Korea	2,203	1.2%	5,981.5	10.5	0.9	1.8	34.73
Sensex	36,469	1.2%	150.2	21.5	2.9	1.4	41.94
Nifty	10,894	1.0%	3,139.4	20.0	2.8	1.5	40.00
Karachi	41,113	2.1%	39.5	8.0	1.3	5.1	37.50
Taiwan	9,932	-0.4%	2,880.0	13.6	1.5	4.6	-
Bovespa	97,861	0.2%	4,207.9	12.3	1.8	3.1	84.38
Jo'burg	53,930	-0.2%	1,615.5	13.4	1.7	4.3	41.51
Vietnam	909	0.0%	88.3	14.3	2.5	2.0	42.16
Jakarta	6,539	0.9%	596.3	15.9	2.3	2.1	52.55

Source: Bloomberg, BEst – Bloomberg Estimate

Relative Valuations

Benchmark Equity Indices

Index	Last Price	wtd % chg	1m % chg	Ytd % chg	BEst P/E	BEst P/B	Div Yield
MSCI World	2,030	1.4%	6.6%	7.7%	14.81	2.13	2.59
MSCI G7	1,850	1.5%	6.8%	7.9%	14.87	2.21	2.41
MSCI EM	1,050	1.7%	8.8%	8.7%	12.03	1.45	2.79
MSCI FM	542	0.5%	4.0%	4.9%	10.25	1.36	3.76
S&P Pan Arab	776	1.0%	6.6%	6.4%	12.87	1.55	3.74
DUAE INDEX	3,166	2.2%	3.4%	3.4%	9.43	1.17	4.97
DKUW INDEX	3,848	-1.5%	2.5%	2.5%	-	-	-
DQAT INDEX	7,200	-0.2%	3.0%	3.0%	13.72	2.09	3.55
DKUS INDEX	2,999	-1.2%	0.3%	0.3%	7.11	0.91	3.52
DQAS INDEX	8,469	-0.3%	4.0%	4.0%	15.30	1.98	4.03

Relative to S&P Pan Arab Composite Index

Index	PE	PB	Dvd Yield	Index	PE	PB	Dvd Yield
DFM	-51.7%	-46.5%	46.9%	Bahrain	-	-	56.0%
ADX	-5.3%	5.2%	25.9%	MSM	-50.6%	-59.6%	67.0%
Tadawul	17.5%	16.1%	-11.7%	Qatar	5.5%	6.8%	9.6%
Kuwait Premier	-18.4%	-30.5%	-5.5%	TUSISE	50.9%	236.08%	-47.1%

Relative to MSCI G7 Index

Dow Jones	2.0%	64.3%	1.8%	Cac 40	-14.5%	-37.1%	57.0%
S&P 500	8.3%	33.7%	-11.1%	Swiss	-1.6%	-2.5%	54.9%
Nasdaq	37.7%	79.3%	-46.8%	Nikkei	1.6%	-29.8%	-7.8%
FTSE 100	-16.8%	-26.3%	104.8%	Australia	2.1%	-15.7%	105.6%
Dax	-19.3%	-36.3%	52.0%	Stoxx 600	-11.1%	-28.9%	68.2%

Relative to MSCI Emerging Market Index

Hong Kong	-11.1%	-18.6%	28.6%	Jo'burg	11.6%	18.3%	53.5%
Shanghai	-18.1%	-19.1%	-7.8%	Vietnam	18.9%	68.9%	-29.2%
Korea	-12.4%	-38.1%	-34.2%	Jakarta	31.8%	61.2%	-25.7%
Sensex	78.9%	99.1%	-50.4%				
Nifty	66.6%	89.9%	-47.0%				
Karachi	-33.6%	-12.3%	82.8%				
Taiwan	12.8%	6.3%	66.0%				
Bovespa	2.1%	25.8%	11.8%				

Source: Bloomberg, BEst – Bloomberg Estimate

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Emirates NBD Research & Treasury Contact List

Emirates NBD Head Office
12th Floor
Baniyas Road, Deira
P.O. Box 777
Dubai

Jonathan Morris
General Manager Wholesale Banking
JonathanM@emiratesnbd.com

Aazar Ali Khwaja
Senior Executive Vice President
Global Markets & Treasury
+971 4 609 3000
aazark@emiratesnbd.com

Tim Fox
Head of Research &
Chief Economist
+9714 230 7800
timothyf@emiratesnbd.com

Research

Khatija Haque
Head of MENA Research
+9714 230 7803
khatijah@emiratesnbd.com

Anita Yadav
Head of Fixed Income Research
+9714 230 7630
anitay@emiratesnbd.com

Aditya Pugalia
Director, Financial Markets Research
+9714 609 3027
adityap@emiratesnbd.com

Mohammed Altajir
FX Analytics and Product Development
+9714 609 3005
mohammedtaj@emiratesnbd.com

Edward Bell
Commodity Analyst
+9714 230 7701
edwardpb@emiratesnbd.com

Daniel Richards
MENA Economist
+9714 609 3032
danielrich@emiratesnbd.com

Hessa Al Khawaja
Research Associate
+9714 609 3015
Hessaalkh@emiratesnbd.com

Sales & Structuring

Group Head – Treasury Sales
Tariq Chaudhary
+971 4 230 7777
tariqmc@emiratesnbd.com

Saudi Arabia Sales
Numair Attiyah
+966 11 282 5656
numaira@emiratesnbd.com

Singapore Sales
Supriyakumar Sakhalkar
+65 65785 627
supriyakumars@emiratesnbd.com

London Sales
+44 (0) 20 7838 2241

Egypt
Gary Boon
+20 22 726 5040
garyboon@emiratesnbd.com

Emirates NBD Capital

Hitesh Asarpota
Head of Debt Capital Markets.
+971 50 4529515
asarpotah@EmiratesNBD.com

Investor Relations

Patrick Clerkin
+9714 230 7805
patrickc@emiratesnbd.com

Group Corporate Affairs

Ibrahim Sowaidan
+9714 609 4113
ibrahims@emiratesnbd.com

Claire Andrea
+9714 609 4143
clairea@emiratesnbd.com